

**United States Environmental Protection Agency  
Criminal Investigation Division  
Investigative Activity Report**

**Case Number**

0606-0015

**Case Title:**

CES Environmental Services

**Reporting Office:**

Houston, TX Resident Office

**Subject of Report:**

Interview of TCEQ Waste Inspector, (b) (6), (b) (7)(C) on February 23, 2012.

**Activity Date:**

February 23, 2012

**Reporting Official and Date:**

(b) (6), (b) (6), SA

28-FEB-2012, Signed by: (b) (6), (b) (6) SA

**Approving Official and Date:**

(b) (6), (b) (7), SAC

29-FEB-2012, Approved by: (b) (6), (b) (7), ASAC

**SYNOPSIS**

On February 23, 2012, an interview of TCEQ Inspector, (b) (6), (b) (7) was completed. The interview was completed at the EDTX US Attorney's Office located at 350 Magnolia Street, Beaumont, Texas. Those present included: TCEQ Inspector (b) (6), (b) (7)(C) AUSA Joe Batte; DOJ ECS Prosecutor (b) (6), (b) (7)(C) and EPA CID SA (b) (6), (b) (6). The Agent displayed credentials. (b) (6), agreed to the interview and provided information about Port Arthur CES (PACES).

**DETAILS**

On February 23, 2012, an interview of TCEQ Inspector, (b) (6), (b) (7) was completed. The interview was completed at the EDTX US Attorney's Office located at 350 Magnolia Street, Beaumont, Texas. Those present included: TCEQ Inspector (b) (6), (b) (7)(C) AUSA Joe Batte; DOJ ECS Prosecutor (b) (6), (b) (7)(C) and EPA CID SA (b) (6), (b) (6). The Agent displayed credentials. (b) (6), agreed to the interview and provided information about Port Arthur CES (PACES).

(b) (6), conducted a waste inspection and produced a report dated 09/25/09 to 03/31/2010, see attachment 1. (b) (6), was told by (b) (6) supervisor, (b) (6), (b) (7) to inspect PACES. One concern was that there had been 2 deaths recently at PACES. Also after (b) (6), (b) (6) of TCEQ Houston conducted Inspections at CES Environmental located at 4904 Griggs Road, Houston, Texas, she had discussions with (b) (6), (b) (7) of TCEQ Beaumont (related to TCEQ Inspections at PACES located at 2420 South Gulfway Drive, Port Arthur, Texas), and concluded that both facilities were having TCEQ violation issues.

During (b) (6), inspection the point of contact for PACES was usually a person named (b) (6), (b) (6), stated that (b) (6), did all the talking for PACES. (b) (6), believed that (b) (6), was a CES Employee and had given (b) (6) a CES Business Card. (b) (6), was adamant that CES and PACES were two separate companies and repeated that during the inspection many times. (b) (6), had set up PACES and explained the processes.

The process description that (b) (6), explained to (b) (6), was that PACES took in what (b) (6), described as a by-product. The claimed by-product was Sulfidic Caustic from CITGO that was run through the process and then taken to paper mills, one specifically named Boise Cascade. (b) (6), stated (b) (6), did not mention any other company providing this by product or that it came in by truck.

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(b) (6), stated that PACES generated no hazardous waste. (b) (6), stated that PACES also claimed an exemption for a substitute for a commercial chemical product. (b) (6), informed (b) (6), that exemption requires certain conditions be met including specified documents. (b) (6), told (b) (6), that all the documents had been seized by EPA. (b) (6), never did receive the required documents from PACES or (b) (6), that would allow for the RCRA exemption that PACES claimed. One of the required documents is a point of generation document (POG); PACES only provided a CES MSDS, which was not the required document requested.

(b) (6), did have discussions with other PACES employees during (b) (6) inspections. Those PACES employees included: (b) (6), (b) (7)(C) (b) (6), (b) (7) , and the HSE Manager - (b) (6), (b) (6), stated that during discussions with (b) (6), (b) (6), (b) (7)(C) would call the incoming streams a waste. (b) (6), would tell (b) (6), (b) (6) to not call it a waste.

(b) (6), requested manifest and/or bills of lading from PACES. They produced no manifest and 11 Bills of Lading. (b) (6), noted that one bill of lading note recycling on it.

(b) (6), told (b) (6), that PACES had not taken any Sulfidic Caustic in at least 3 months. (b) (6), observed a PACES barge cleanout being conducted, and also noted that the barge was used to bring PACES the Sulfidic Caustic.

(b) (6), noted that (b) (6) observed that the PACES vessels were leaking, totes had been placed under the vessels, and each tote contained vessel residue. (b) (6), stated that PACES was not running the NaSh process anymore.

(b) (6), did not recall being told about PACES taking streams named Sulfurized Isobutylene also called SIB from KMTex/KMCO, or any from TransMontaigne from Brownsville, Texas.

(b) (6), told (b) (6), that some of PACES caustics were stored at KMTex. (b) (6), explained that PACES has a contract with KMTex related to the storage. (b) (6), requested copies of the contracts. (b) (6), told (b) (6), that the contracts were verbal.

(b) (6), determined that PACES claiming recycling exemption with use of what they called a by-product would not apply. (b) (6), determined that what PACES claimed as a by-product would be a Hazardous Waste. (b) (6), stated that the reasons the by-product would not be allowed an exemption was listed in (b) (6) inspection report.  
(C)

(b) (6), stated that what PACES said it is doing on paper, and what they were really doing, were two different things.

(b) (6), concluded that the material that (b) (6), called feedstock was Hazardous Waste, and the material at KMTex is Hazardous Waste. (b) (6), stated that Merichem eventually took the PACES material stored at KMTex, but does not know what they did with it. (b) (6), will follow up with Merichem to find out the final disposition of the material. (b) (6), cited PACES for not having a Hazardous Waste Permit.

(b) (6), stated that the caustic process at PACES is treatment of a Hazardous Waste, extraction

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equals treatment. The NaSH process, changing the pH is treatment of a Hazardous Waste.

In September 2009 during the inspection PACES did not have a used oil permit, meaning that they would not be allowed to take used oil.

(b) (6), was asked questions about the TransMontaigne stream named gassy water and the SIB stream from KMCO/KMTex being used as a feedstock. (b) (6), stated that adding acid to the feedstock in the reactor vessel is processing, and a Hazardous Waste Permit would be required. A treatment plan would be required. The material would need to be on a Hazardous Waste Manifest to show Generator to TSDf as required under RCRA. Shipping on a Bill of Lading would not be acceptable.

(b) (6), told (b) (6), that PACES produced no Hazardous Waste, and registered PACES as a Large Quantity Generator (LQG) only to obtain PACES an EPA ID number.

(b) (6), was aware that there had been rejections at New Park Injection Well, in Winnie, Texas. (b) (6), was shown a book of rejections maintained at New Park.

(b) (6), stated that PACES in fact did produce Hazardous Waste, and did not report it. The on-site treatment of Hazardous Waste would also need to be reported. (b) (6), stated that if PACES had informed (b) (6) of the on-site treatment (b) (6) would have asked for more information, (b) (6) would have requested a Waste Analysis Plan. If PACES would have had the Hazardous Waste Permits, there would have been more requirements, additional training, spill contingency plans, and secondary containment.

(b) (6), stated that (b) (6) has no issue with saying that PACES was non-compliant.

(b) (6), completed a PACES site visit in March 2010, to revisit the Sulfidic Caustic Process and the Used Oil Process, and to take samples. During that visit (b) (6), met (b) (6), (b) (7) and 2 Attorney's. During the walk through (b) (6), noted process back pressure issues. Drip buckets had been placed under the leaking vessels. (b) (6), also observed unknown material in Frac Tanks. (b) (6), was told that the some Frac Tanks contain product, and other Frac Tanks were settling.

(b) (6), observed drums in the PACES Warehouse. Some of the drums were leaking. The drums were not labeled with a date as required by RCRA.

The used oil was sampled and showed very high levels of halogens in it. The level of halogen would make the used oil Hazardous Waste.

(b) (6), spoke with the lab worker named TO Prantil. Prantil stated that (b) (6) disposed of lab waste, an EPA Hazardous waste code of F005, into the PACES Waste Water Tank.

(b) (6), stated (b) (6) referred the matter for enforcement action which was handled by the Texas Attorney General's Office. However, (b) (6) was under the impression the enforcement action would not go forward because PACES had filed for bankruptcy.

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(b) (6), stated that (b) (6), (b) (7) and (b) (6), (b) (7)(C) had a new business in Evadale, Texas. They are working with a company named Bruce's Construction/Compost. (b) (6), was not sure what the business produces but it may deal with bio-fuel.

**ATTACHMENT**

(b) (6), Attachment 1